

**HAMPTON-DUMONT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Officials

| <u>Name</u>               | <u>Title</u>   | <u>Term Expires</u> |
|---------------------------|----------------|---------------------|
| <b>Board of Education</b> |                |                     |
| Ron Raney                 | President      | 2011                |
| Stacy Miller              | Vice President | 2011                |
| Scott Sackville           |                | 2011                |
| Thomas Brolsma            |                | 2013                |
| Jennifer Hansen           |                | 2013                |
| Kristin Wraage            |                | 2011                |
| Chad Hanson               |                | 2013                |

**School Officials**

|             |                                  |
|-------------|----------------------------------|
| Todd Lettow | Superintendent                   |
| Lisa Lewis  | District Secretary/<br>Treasurer |

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

## Independent Auditor's Report

To the Board of Education of  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Hampton-Dumont Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

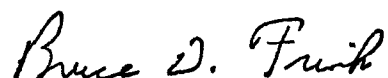
In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2012 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 38 through 40 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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P.O. Box 241  
Clarion, IA 50525

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bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 13, 2012

# **HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,101,763 in fiscal 2010 to \$12,269,972 in fiscal 2011, while General Fund expenditures increased from \$11,058,248 in fiscal 2010 to \$11,854,416 in fiscal 2011.
- The District has attained a solvency ration of 5%. This is an indication of the financial health of the District. 5% to 10% is a commonly recommended goal.
- The General Fund grew as the District imposed a cash reserve levy of \$600,000 which partially covered state aid cuts of the past three years. It is hoped that this will not be necessary in the future.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds, and a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Hampton-Dumont Community School District Annual Financial Report***

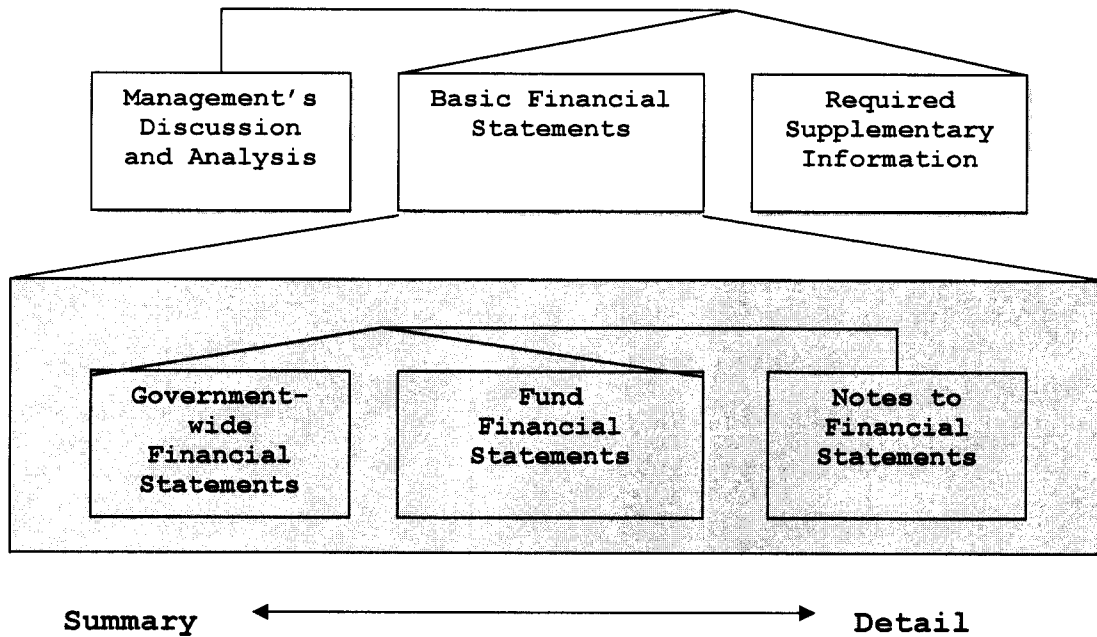


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

|  | Government-wide Statements   | Fund Statements  |  |   |
|--|--|--|--|---|
|  |  | Governmental Funds   | Proprietary Funds  | Fiduciary Funds   |
| Scope                                  | Entire District (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and internal services  | Instances in which the district administers resources on behalf of someone else, such as scholarship programs                                 |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> | <ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul> |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information    | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |



## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District also has an Internal Service Fund which it uses to account for health insurance benefits.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

| <b>Figure A-3</b><br><b>Condensed Statement of Net Assets</b><br><b>(Expressed in Thousands)</b> |                         |          |                          |      |                |        |              |
|--|-------------------------|----------|--------------------------|------|----------------|--------|--------------|
|  | Governmental Activities |          | Business Type Activities |      | Total District |        | Total Change |
|  | June 30,                |          | June 30,                 |      | June 30,       |        | June 30,     |
|  | 2011                    | 2010     | 2011                     | 2010 | 2011           | 2010   | 2010-2011    |
| Current assets   | \$ 13,768               | 8,999    | 181                      | 169  | 13,949         | 9,168  | 52.15%       |
| Capital assets   | 12,973                  | 11,800   | 148                      | 109  | 13,121         | 11,909 | 10.18%       |
| Total assets   | 26,741                  | 20,799   | 329                      | 278  | 27,070         | 21,077 | 28.43%       |
| Current liabilities  | 7,928                   | 6,121    | 6                        | 11   | 7,934          | 6,132  | 29.39%       |
| Non-current liabilities  | 12,599                  | 8,052    | -                        | -    | 12,599         | 8,052  | 56.47%       |
| Total liabilities  | 20,527                  | 14,173   | 6                        | 11   | 20,533         | 14,184 | 44.76%       |
| Net Assets   |                         |          |                          |      |                |        |              |
| Invested in capital assets,<br>net of related debt   | 1,008                   | 4,170    | 148                      | 109  | 1,156          | 4,279  | -72.98%      |
| Restricted   | 5,048                   | 2,311    | -                        | -    | 5,048          | 2,311  | 118.43%      |
| Unrestricted   | 158                     | 145      | 175                      | 158  | 333            | 303    | 9.90%        |
| Total net assets   | \$ 6,214                | \$ 6,626 | 323                      | 267  | 6,537          | 6,893  | -5.16%       |

The District's combined net assets decreased by over 5%, over the prior year. This was primarily due to decreases in the Management and Capital Projects Fund, Statewide Sales, Services and Use Tax and capital asset purchases.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased by over \$400,000.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

| <b>Figure A-4</b><br><b>Changes in Net Assets</b><br><b>(Expressed in Thousands)</b> |                 |                          |            |                |               |               |                 |
|--|-----------------|--------------------------|------------|----------------|---------------|---------------|-----------------|
| Governmental Activities  |                 | Business Type Activities |            | Total District |               | Total Change  |                 |
| 2011   | 2010            | 2011                     | 2010       | 2011           | 2010          | 2010-2011     |                 |
| Revenues:  |                 |                          |            |                |               |               |                 |
| Program revenues:  |                 |                          |            |                |               |               |                 |
| Charges for service and sales  | \$ 334          | 374                      | 279        | 267            | 613           | 641           | -4.37%          |
| Operating grants, contributions and restricted interest                              | 2,755           | 3,146                    | 412        | 394            | 3,167         | 3,540         | -10.54%         |
| General revenues:  |                 |                          |            |                |               |               |                 |
| Property taxes   | 4,816           | 4,842                    | -          | -              | 4,816         | 4,842         | -0.54%          |
| Income surtax  | 148             | 168                      |            |                | 148           | 168           | -11.90%         |
| Statewide sales, services and use tax  | 656             | 671                      | -          | -              | 656           | 671           | -2.24%          |
| Unrestricted state grants  | 5,320           | 4,012                    | -          | -              | 5,320         | 4,012         | 32.60%          |
| Unrestricted investment earnings   | 28              | 28                       | -          | -              | 28            | 28            | 0.00%           |
| Other  | 128             | 87                       | -          | -              | 128           | 87            | 47.13%          |
| Total revenues   | <u>14,185</u>   | <u>13,328</u>            | <u>691</u> | <u>661</u>     | <u>14,876</u> | <u>13,989</u> | <u>6.34%</u>    |
| Program expenses:  |                 |                          |            |                |               |               |                 |
| Governmental activities:   |                 |                          |            |                |               |               |                 |
| Instruction  | 8,532           | 8,338                    | -          | -              | 8,532         | 8,338         | 2.33%           |
| Support services   | 3,548           | 3,129                    | -          | -              | 3,548         | 3,129         | 13.39%          |
| Non-instructional programs   | -               | -                        | 635        | 632            | 635           | 632           | 0.47%           |
| Other expenses   | <u>2,517</u>    | <u>1,555</u>             | <u>-</u>   | <u>-</u>       | <u>2,517</u>  | <u>1,555</u>  | <u>61.86%</u>   |
| Total expenses   | <u>14,597</u>   | <u>13,022</u>            | <u>635</u> | <u>632</u>     | <u>15,232</u> | <u>13,654</u> | <u>11.56%</u>   |
| Change in net assets   | <u>\$ (412)</u> | <u>306</u>               | <u>56</u>  | <u>29</u>      | <u>(356)</u>  | <u>335</u>    | <u>-206.27%</u> |

Property tax and unrestricted state grants account for 68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 79% of the total expenses. The General Fund portion of resources related to instruction increased, but total expenditures in other expenses increased as the District continues improving facilities and debt payments on prior year projects.

## Governmental Activities

Revenues for governmental activities were \$14,185,565 and expenses were \$14,597,315 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

| <b>Figure A-5</b>                                    |                               |             |                             |                             |             |                             |
|--|-------------------------------|-------------|-----------------------------|-----------------------------|-------------|-----------------------------|
| <b>Total and Net Cost of Governmental Activities</b> |                               |             |                             |                             |             |                             |
| <b>(Expressed in Thousands)</b>                      |                               |             |                             |                             |             |                             |
|  | <b>Total Cost of Services</b> |             |                             | <b>Net Cost of Services</b> |             |                             |
|  | <b>2011</b>                   | <b>2010</b> | <b>Change<br/>2010-2011</b> | <b>2011</b>                 | <b>2010</b> | <b>Change<br/>2010-2011</b> |
| Instruction  | \$ 8,532                      | 8,338       | 2.33%                       | 6,069                       | 5,445       | 11.46%                      |
| Support services                                     | 3,548                         | 3,129       | 13.39%                      | 3,467                       | 3,047       | 13.78%                      |
| Other expenses                                       | 2,517                         | 1,555       | 61.86%                      | 1,972                       | 1,010       | 95.25%                      |
| Totals   | \$ 14,597                     | 13,022      | 12.09%                      | 11,508                      | 9,502       | 21.11%                      |

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$334,293.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,875,223.
- The net cost of governmental activities was financed with \$4,815,769 in property taxes (a one percent increase) and \$5,320,636 in unrestricted state grants (slightly above 2009 levels).

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$691,197 and expenses totaled \$634,968. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balances of \$5,142,460, a large increase from last year's ending fund balance of \$2,368,498. This is due to the District issuing bonds for a geothermal project that was not complete at June 30, 2011. Fiscal year 2012 will show a large decrease as funds are spent.

## Governmental Fund Highlights

- The District's General Fund financial position increased slightly during the past year. Allowable growth of 2% or less is inadequate to afford regular salary increases as well as increased costs for other items.
- The statewide sales, services and use tax is being used for infrastructure projects and/or debt reduction.

## Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$56,000 during the fiscal year ending June 30, 2011. This was a result of good participation and careful monitoring of expenses.

## BUDGETARY HIGHLIGHTS

The District's receipts were \$355,000 less than budgeted receipts. State revenues continue to fall under budgeted amounts.

The District exceeded the published budget in the instruction and other expenditures functions. This was offset by less than expected spending in the other expenditures function. The District had a positive General Fund unspent authorized budget at June 30, 2011.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested over \$12.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$398,328.

The original cost of the District's capital assets was \$16,974,054. Governmental funds account for \$16,769,251, with the remainder of \$204,803 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

|                          | Governmental<br>Activities |               | Business Type<br>Activities |            | Total<br>District |               | Total<br>Change |
|--------------------------|----------------------------|---------------|-----------------------------|------------|-------------------|---------------|-----------------|
|                          | June 30,                   |               | June 30,                    |            | June 30,          |               | June 30,        |
|                          | 2011                       | 2010          | 2011                        | 2010       | 2011              | 2010          | 2010-2011       |
| Land                     | \$ 203                     | 203           | -                           | -          | 203               | 203           | 0.00%           |
| Construction in progress | 1,571                      | -             | -                           | -          | 1,571             | -             | 100.00%         |
| Buildings                | 10,867                     | 11,137        | -                           | -          | 10,867            | 11,137        | -2.42%          |
| Furniture and equipment  | 333                        | 460           | 148                         | 109        | 481               | 569           | -15.47%         |
| Totals                   | <u>\$ 12,974</u>           | <u>11,800</u> | <u>148</u>                  | <u>109</u> | <u>13,122</u>     | <u>11,909</u> | <u>10.19%</u>   |

### Long-term Debt

The District has \$6,170,000 of general obligation bonds outstanding at the end of the current fiscal year.

The District has outstanding revenue bonds of \$890,000 for additions/renovations to the elementary buildings. They also issued \$4,905,000 of revenue bonds for various building projects.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

|                               | Total District |       | Total Change |
|-------------------------------|----------------|-------|--------------|
|                               | June 30,       |       | June 30,     |
|                               | 2011           | 2010  | 2010-2011    |
| General obligation bonds      | \$ 6,170       | 6,520 | -5.37%       |
| Revenue bonds                 | 5,795          | 1,110 | 422.07%      |
| Other postemployment benefits | 125            | 61    | 104.92%      |
| Early retirement              | 509            | 416   | 22.36%       |
| Total                         | \$ 12,599      | 8,107 | 55.41%       |

The District has implemented an early retirement program over the past several years in order to reduce operating costs in the General Fund while having the least effect possible on academic programs.

#### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future.

- Statewide sales, services and use tax is being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 2% or less is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, 601 12<sup>th</sup> Ave NE, Hampton, Iowa 50441.

## **Basic Financial Statements**

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

|   | Governmental<br>Activities | Business Type<br>Activities | Total             |
|---|----------------------------|-----------------------------|-------------------|
| <b>Assets</b>                                   |                            |                             |                   |
| Cash and pooled investments                     | \$ 7,620,143               | 152,732                     | 7,772,875         |
| Receivables:                                    |                            |                             |                   |
| Property tax:                                   |                            |                             |                   |
| Current year                                    | 71,812                     | -                           | 71,812            |
| Succeeding year                                 | 5,140,470                  | -                           | 5,140,470         |
| Income surtax                                   | 140,380                    | -                           | 140,380           |
| Due from other governments                      | 261,565                    | -                           | 261,565           |
| Other receivables                               | 533,157                    | -                           | 533,157           |
| Inventories                                     | -                          | 27,819                      | 27,819            |
| Capital assets, net of accumulated depreciation | 12,973,450                 | 148,396                     | 13,121,846        |
| <b>Total assets</b>                             | <u>26,740,977</u>          | <u>328,947</u>              | <u>27,069,924</u> |
| <b>Liabilities</b>                              |                            |                             |                   |
| Accounts payable                                | 1,302,859                  | -                           | 1,302,859         |
| Accrued salary and benefits                     | 1,087,963                  | 5,653                       | 1,093,616         |
| Accrued interest payable                        | 69,156                     | -                           | 69,156            |
| Deferred revenue:                               |                            |                             |                   |
| Succeeding year property tax                    | 5,140,470                  | -                           | 5,140,470         |
| Federal programs                                | 327,355                    | -                           | 327,355           |
| Long term liabilities:                          |                            |                             |                   |
| Portion due within one year:                    |                            |                             |                   |
| Early retirement                                | 94,221                     | -                           | 94,221            |
| Revenue bonds payable                           | 325,000                    | -                           | 325,000           |
| General obligation bonds payable                | 365,000                    | -                           | 365,000           |
| Portion due after one year:                     |                            |                             |                   |
| Net OPEB liability                              | 124,745                    | -                           | 124,745           |
| Early retirement                                | 415,112                    | -                           | 415,112           |
| Revenue bonds payable                           | 5,470,000                  | -                           | 5,470,000         |
| General obligation bonds payable                | 5,805,000                  | -                           | 5,805,000         |
| <b>Total liabilities</b>                        | <u>20,526,881</u>          | <u>5,653</u>                | <u>20,532,534</u> |
| <b>Net assets</b>                               |                            |                             |                   |
| Invested in capital assets, net of related debt | 1,008,450                  | 148,396                     | 1,156,846         |
| Restricted for:                                 |                            |                             |                   |
| Categorical funding                             | 201,157                    | -                           | 201,157           |
| Student activities                              | 8,631                      | -                           | 8,631             |
| Management levy                                 | 146,991                    | -                           | 146,991           |
| School infrastructure                           | 3,381,985                  | -                           | 3,381,985         |
| Physical plant and equipment levy               | 78,162                     | -                           | 78,162            |
| Debt service                                    | 604,500                    | -                           | 604,500           |
| Employee health insurance                       | 626,040                    | -                           | 626,040           |
| Unrestricted                                    | 158,180                    | 174,898                     | 333,078           |
| <b>Total net assets</b>                         | <u>\$ 6,214,096</u>        | <u>323,294</u>              | <u>6,537,390</u>  |

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2011

|   | Program Revenues   |         |           | Net (Expense) Revenue<br>and Changes in Net Assets |                             |              |
|---|--|---------|-----------|--|-----------------------------|--------------|
|   | Operating Grants,<br>Contributions<br>Charges for and Restricted<br>Service Interest |         |           | Governmental<br>Activities                         | Business Type<br>Activities | Total        |
| Expenses                                    |  |         |           |  |                             |              |
|   | \$ 8,531,603   | 325,786 | 2,136,574 | (6,069,243)  | -                           | (6,069,243)  |
| <b>Functions/Programs:</b>                  |  |         |           |  |                             |              |
| Governmental activities:                    |  |         |           |  |                             |              |
| Instruction:                                |  |         |           |  |                             |              |
| Support services:                           |  |         |           |  |                             |              |
| Student services                            | 343,821  | -       | -         | (343,821)  | -                           | (343,821)    |
| Instructional staff services                | 794,057  | -       | -         | (794,057)  | -                           | (794,057)    |
| Administration services                     | 1,004,631  | -       | -         | (1,004,631)  | -                           | (1,004,631)  |
| Operation and maintenance of plant services | 841,851  | -       | 72,483    | (769,368)  | -                           | (769,368)    |
| Transportation services                     | 563,898  | 8,507   | -         | (555,391)  | -                           | (555,391)    |
|   | 3,548,258  | 8,507   | 72,483    | (3,467,268)  | -                           | (3,467,268)  |
| Other expenditures:                         |  |         |           |  |                             |              |
| Long term debt:                             |  |         |           |  |                             |              |
| Interest                                    | 344,008  | -       | 9,085     | (334,923)  | -                           | (334,923)    |
| Services                                    | 4,723  | -       | -         | (4,723)  | -                           | (4,723)      |
| Facilities acquisition and construction     | 1,242,094  | -       | 3,425     | (1,238,669)  | -                           | (1,238,669)  |
| AEA flowthrough                             | 533,139  | -       | 533,139   | -  | -                           | -            |
| Depreciation (unallocated)*                 | 393,490  | -       | -         | (393,490)  | -                           | (393,490)    |
|   | 2,517,454  | -       | 545,649   | (1,971,805)  | -                           | (1,971,805)  |
| Total governmental activities               | 14,597,315   | 334,293 | 2,754,706 | (11,508,316)                                       | -                           | (11,508,316) |

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2011

|  | Program Revenues       |  | Net (Expense) Revenue<br>and Changes in Net Assets |                             |
|--|------------------------|--|--|-----------------------------|
|  | Charges for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities                         | Business Type<br>Activities |
| Expenses   |                        |  |  | Total                       |
| Business type activities:                                    |                        |  |  |                             |
| Non-instructional programs:                                  |                        |  |  |                             |
| Nutrition services   | 634,968                | 412,075  | -  | 56,229                      |
| Total  | \$ 15,232,283          | 3,166,781  | (11,508,316)                                       | (11,452,087)                |
| <b>General Revenues:</b>                                     |                        |  |  |                             |
| Property tax levied for:                                     |                        |  |  |                             |
| General purposes   |                        |  | \$ 3,796,713                                       | -                           |
| Management fund  |                        |  | 100,057  | -                           |
| Capital outlay   |                        |  | 303,056  | -                           |
| Debt service   |                        |  | 615,943  | -                           |
| Income surtax  |                        |  | 147,718  | -                           |
| Statewide sales, services and use tax                        |                        |  | 656,000  | -                           |
| Unrestricted state grants                                    |                        |  | 5,320,636  | -                           |
| Unrestricted investment earnings                             |                        |  | 27,574   | -                           |
| Undepreciated cost of capital assets disposed of during year |                        |  | (25,828)   | -                           |
| Other  |                        |  | 154,697  | -                           |
| Total general revenues                                       |                        |  | 11,096,566   | 11,096,566                  |
| Change in net assets   |                        |  | (411,750)  | 56,229                      |
| Net assets beginning of year                                 |                        |  | 6,625,846  | 267,065                     |
| Net assets end of year                                       |                        |  | \$ 6,214,096                                       | 323,294                     |
|  |                        |  |  | 6,537,390                   |

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

|                                | General             | Student Activity | Management Levy | Capital Projects                    |                                   |  |  | Debt Service     | Total             |
|--------------------------------|---------------------|------------------|-----------------|-------------------------------------|-----------------------------------|--|--|------------------|-------------------|
|                                |                     |                  |                 | Statewide Sales Service and Use Tax | Physical Plant and Equipment Levy |  |  |                  |                   |
| <b>Assets</b>                  |                     |                  |                 |                                     |                                   |  |  |                  |                   |
| Cash and pooled investments    | \$ 1,823,097        | 12,876           | 145,498         | 4,255,061                           | 73,299                            |  |  | 664,492          | 6,974,323         |
| Receivables:                   |                     |                  |                 |                                     |                                   |  |  |                  |                   |
| Property tax:                  |                     |                  |                 |                                     |                                   |  |  |                  |                   |
| Current year                   | 56,646              | -                | 1,493           | -                                   | 4,509                             |  |  | 9,164            | 71,812            |
| Succeeding year                | 3,860,936           | -                | 349,999         | -                                   | 313,797                           |  |  | 615,738          | 5,140,470         |
| Income surtax                  | 140,380             | -                | -               | -                                   | -                                 |  |  | -                | 140,380           |
| Other governmental receivables | -                   | -                | -               | 261,565                             | -                                 |  |  | -                | 261,565           |
| Other receivables              | 528,447             | -                | -               | -                                   | 4,710                             |  |  | -                | 533,157           |
| <b>Total assets</b>            | <u>\$ 6,409,506</u> | <u>12,876</u>    | <u>496,990</u>  | <u>4,516,626</u>                    | <u>396,315</u>                    |  |  | <u>1,289,394</u> | <u>13,121,707</u> |

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

## Liabilities and Fund Balances

## Liabilities:

|                              |            |       |         |           |         |         |           |
|------------------------------|------------|-------|---------|-----------|---------|---------|-----------|
| Accounts payable             | \$ 159,617 | 4,245 | -       | 1,134,641 | 4,356   | -       | 1,302,859 |
| Accrued payroll and benefits | 1,068,183  | -     | -       | -         | -       | -       | 1,068,183 |
| Deferred revenue:            |            |       |         |           |         |         |           |
| Succeeding year property tax | 3,860,936  | -     | 349,999 | -         | 313,797 | 615,738 | 5,140,470 |
| Income surtax                | 140,380    | -     | -       | -         | -       | -       | 140,380   |
| Federal programs             | 327,355    | -     | -       | -         | -       | -       | 327,355   |
| Total liabilities            | 5,556,471  | 4,245 | 349,999 | 1,134,641 | 318,153 | 615,738 | 7,979,247 |

## Fund balances:

|  |                     |               |                |                  |                |                  |                   |
|--|---------------------|---------------|----------------|------------------|----------------|------------------|-------------------|
| Restricted for:                            |                     |               |                |                  |                |                  |                   |
| Categorical funding                        | 201,157             | -             | -              | -                | -              | -                | 201,157           |
| Student activities                         | -                   | 8,631         | -              | -                | -              | -                | 8,631             |
| Management levy                            | -                   | -             | 146,991        | -                | -              | -                | 146,991           |
| School infrastructure                      | -                   | -             | -              | 3,381,985        | -              | -                | 3,381,985         |
| Physical plant and equipment levy          | -                   | -             | -              | -                | 78,162         | -                | 78,162            |
| Debt service                               | -                   | -             | -              | -                | -              | 673,656          | 673,656           |
| General Fund                               | 651,878             | -             | -              | -                | -              | -                | 651,878           |
| Total fund balances                        | 853,035             | 8,631         | 146,991        | 3,381,985        | 78,162         | 673,656          | 5,142,460         |
| <b>Total liabilities and fund balances</b> | <b>\$ 6,409,506</b> | <b>12,876</b> | <b>496,990</b> | <b>4,516,626</b> | <b>396,315</b> | <b>1,289,394</b> | <b>13,121,707</b> |

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

|  |                            |
|--|----------------------------|
| <b>Total fund balances of governmental funds (Exhibit C)</b>   | \$ 5,142,460               |
| <b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>   |                            |
| Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.   | 140,380                    |
| Internal Service Fund assets that are to be included with governmental funds.  | 626,040                    |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.   | 12,973,450                 |
| Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.   | (69,156)                   |
| Long-term liabilities, including bonds payable, early retirement payments and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. | <u>(12,599,078)</u>        |
| <b>Net assets of governmental activities (Exhibit A)</b>   | <u><u>\$ 6,214,096</u></u> |

See notes to financial statements.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2011

|   | General      | Student Activity | Management Levy | Capital Projects        |                                   |         | Debt Service | Total      |
|---|--------------|------------------|-----------------|-------------------------|-----------------------------------|---------|--------------|------------|
|   |              |                  |                 | Statewide Sales Use Tax | Physical Plant and Equipment Levy |         |              |            |
| Revenues:                                   |              |                  |                 |                         |                                   |         |              |            |
| Local sources:                              |              |                  |                 |                         |                                   |         |              |            |
| Local tax                                   | \$ 3,948,959 | -                | 100,057         | 656,000                 | 303,056                           | 615,943 |              | 5,624,015  |
| Tuition                                     | 325,786      | -                | -               | -                       | -                                 | -       |              | 325,786    |
| Other                                       | 266,029      | 185,900          | 18,509          | 3,425                   | 53,974                            | 9,085   |              | 536,922    |
| State sources                               | 6,936,132    | -                | -               | -                       | -                                 | -       |              | 6,936,132  |
| Federal sources                             | 793,066      | -                | -               | -                       | -                                 | -       |              | 793,066    |
| Total revenues                              | 12,269,972   | 185,900          | 118,566         | 659,425                 | 357,030                           | 625,028 |              | 14,215,921 |
| Expenditures:                               |              |                  |                 |                         |                                   |         |              |            |
| Instruction                                 | 8,272,418    | 216,458          | 67,545          | -                       | -                                 | -       |              | 8,556,421  |
| Support services:                           |              |                  |                 |                         |                                   |         |              |            |
| Student services                            | 343,821      | -                | -               | -                       | -                                 | -       |              | 343,821    |
| Instructional staff services                | 652,440      | -                | -               | 57,300                  | 84,317                            | -       |              | 794,057    |
| Administration services                     | 967,251      | -                | -               | -                       | 37,380                            | -       |              | 1,004,631  |
| Operation and maintenance of plant services | 699,768      | -                | 163,008         | -                       | -                                 | -       |              | 862,776    |
| Transportation services                     | 385,579      | -                | 12,723          | -                       | 165,596                           | -       |              | 563,898    |
|   | 3,048,859    | -                | 175,731         | 57,300                  | 287,293                           | -       |              | 3,569,183  |
| Other expenditures:                         |              |                  |                 |                         |                                   |         |              |            |
| Long-term debt:                             |              |                  |                 |                         |                                   |         |              |            |
| Principal                                   | -            | -                | -               | -                       | -                                 | 570,000 |              | 570,000    |
| Interest                                    | -            | -                | -               | -                       | -                                 | 300,010 |              | 300,010    |
| Services                                    | -            | -                | -               | -                       | -                                 | 4,723   |              | 4,723      |
| Facilities acquisition and construction     | -            | -                | -               | 2,813,483               | -                                 | -       |              | 2,813,483  |
| AEA flowthrough                             | 533,139      | -                | -               | -                       | -                                 | -       |              | 533,139    |
|   | 533,139      | -                | -               | 2,813,483               | -                                 | 874,733 |              | 4,221,355  |
| Total expenditures                          | 11,854,416   | 216,458          | 243,276         | 2,870,783               | 287,293                           | 874,733 |              | 16,346,959 |

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2011

|   | General    | Student Activity | Management Levy | Statewide Sales Use Tax | Physical Plant and Equipment Levy | Debt Service | Total       |
|---|------------|------------------|-----------------|-------------------------|-----------------------------------|--------------|-------------|
| Excess (deficiency) of revenues over (under) expenditures | 415,556    | (30,558)         | (124,710)       | (2,211,358)             | 69,737                            | (249,705)    | (2,131,038) |
| Other financing sources (uses):                           |            |                  |                 |                         |                                   |              |             |
| Sale of revenue bonds                                     | -          | -                | -               | 4,905,000               | -                                 | -            | 4,905,000   |
| Operating transfers in                                    | -          | -                | -               | -                       | -                                 | 259,295      | 259,295     |
| Operating transfers out                                   | -          | -                | -               | (259,295)               | -                                 | -            | (259,295)   |
|   | -          | -                | -               | 4,645,705               | -                                 | 259,295      | 4,905,000   |
| Net change in fund balances                               | 415,556    | (30,558)         | (124,710)       | 2,434,347               | 69,737                            | 9,590        | 2,773,962   |
| Fund balances beginning of year                           | 437,479    | 39,189           | 271,701         | 947,638                 | 8,425                             | 664,066      | 2,368,498   |
| Fund balances end of year                                 | \$ 853,035 | 8,631            | 146,991         | 3,381,985               | 78,162                            | 673,656      | 5,142,460   |

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 2,773,962

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities this represents the change from the prior fiscal year. (4,528)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital outlays      | \$ 1,592,314     |           |
| Depreciation expense | <u>(393,490)</u> | 1,198,824 |

Undepreciated cost of capital assets disposed of during FY11 (25,828)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (43,998)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditures in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

|        |                |             |
|--------|----------------|-------------|
| Issued | (4,905,000)    |             |
| Repaid | <u>570,000</u> | (4,335,000) |

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 182,342

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

|                               |               |           |
|-------------------------------|---------------|-----------|
| Other postemployment benefits | (63,745)      |           |
| Early retirement additions    | (158,000)     |           |
| Early retirement payments     | <u>64,221</u> | (157,524) |

Change in net assets of governmental activities (Exhibit B) \$ (411,750)

See notes to financial statements.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2011

|   | Business<br>Type    | Governmental<br>Activities |
|---|---------------------|----------------------------|
|   | School<br>Nutrition | Internal<br>Service        |
| <b>Assets</b>                                   |                     |                            |
| Cash and pooled investments                     | \$ 152,732          | 645,820                    |
| Inventories                                     | 27,819              | -                          |
| Capital assets, net of accumulated depreciation | 148,396             | -                          |
| <b>Total assets</b>                             | <u>328,947</u>      | <u>645,820</u>             |
| <b>Liabilities</b>                              |                     |                            |
| Accrued salary and benefits                     | <u>5,653</u>        | <u>19,780</u>              |
| <b>Total liabilities</b>                        | <u>5,653</u>        | <u>19,780</u>              |
| <b>Net Assets</b>                               |                     |                            |
| Invested in capital assets, net of related debt | 148,396             | -                          |
| Unrestricted                                    | <u>174,898</u>      | <u>626,040</u>             |
| <b>Total net assets</b>                         | <u>\$ 323,294</u>   | <u>626,040</u>             |

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

|                               | Business<br>Type    | Governmental<br>Activities |
|-------------------------------|---------------------|----------------------------|
|                               | School<br>Nutrition | Internal<br>Service        |
| Operating revenue:            |                     |                            |
| Local sources:                |                     |                            |
| Charges for services          | \$ 279,122          | 1,522,843                  |
| Operating expenses:           |                     |                            |
| Non-instructional programs:   |                     |                            |
| Food service operations:      |                     |                            |
| Salaries                      | 231,970             | -                          |
| Benefits                      | 45,885              | -                          |
| Services                      | 10,744              | -                          |
| Supplies                      | 341,531             | -                          |
| Depreciation                  | 4,838               | -                          |
|                               | 634,968             | -                          |
| Internal service programs:    |                     |                            |
| Benefits                      | -                   | 1,346,321                  |
| Total operating expenses      | 634,968             | 1,346,321                  |
| Operating profit (loss)       | (355,846)           | 176,522                    |
| Non-operating revenues:       |                     |                            |
| Local sources                 | 1,729               | 5,820                      |
| State sources                 | 5,922               | -                          |
| Federal sources               | 404,424             | -                          |
|                               | 412,075             | 5,820                      |
| Net change in fund net assets | 56,229              | 182,342                    |
| Net assets beginning of year  | 267,065             | 443,698                    |
| Net assets end of year        | \$ 323,294          | 626,040                    |

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

|  | <u>Enterprise</u><br><u>School</u><br><u>Nutrition</u> | <u>Internal</u><br><u>Service</u><br><u>Health</u><br><u>Insurance</u> |
|--|--|--|
| Cash flows from operating activities:  |  |  |
| Cash received from sale of services  | \$ 279,122   | 1,522,843  |
| Cash payments to employees for services  | (277,855)  | (1,346,483)  |
| Cash payments to suppliers for goods or services   | (318,733)  | -  |
| Net cash provided by (used by) operating activities  | <u>(317,466)</u>                                       | <u>176,360</u>   |
| Cash flows from non-capital financing activities:  |  |  |
| State grants received  | 5,922  | -  |
| Federal grants received  | 354,737  | -  |
| Net cash provided by non-capital financing activities  | <u>360,659</u>   | <u>-</u>   |
| Cash flows from capital financing activities:  |  |  |
| Acquisition of capital assets  | <u>(44,413)</u>  | <u>-</u>   |
| Cash flows from investing activities:  |  |  |
| Interest on investments  | <u>1,729</u>   | <u>5,820</u>   |
| Net increase in cash and cash equivalents  | 509  | 182,180  |
| Cash and cash equivalents beginning of year  | <u>152,223</u>   | <u>463,640</u>   |
| Cash and cash equivalents end of year  | <u>\$ 152,732</u>                                      | <u>645,820</u>   |
| <b>Reconciliation of operating profit (loss) to net cash provided by (used by) operating activities:</b> |  |  |
| Operating profit (loss)  | \$ (355,846)   | 176,522  |
| Adjustments to reconcile operating profit (loss) to net cash provided by (used by) operating activities: |  |  |
| Depreciation   | 4,838  | -  |
| Commodities used   | 49,687   | -  |
| (Increase) in inventory  | (10,402)   | -  |
| (Decrease) in accrued salary benefits  | (5,743)  | (162)  |
|  | <u>(317,466)</u>                                       | <u>176,360</u>   |

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$49,687.

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

|                               | Private<br>Purpose<br>Trusts | Agency<br>Funds |
|-------------------------------|------------------------------|-----------------|
| <b>Assets</b>                 |                              |                 |
| Cash and pooled investments   | \$ 38,950                    | 1,406           |
| <b>Liabilities</b>            |                              |                 |
| Other payables                | -                            | 1,406           |
| <b>Net Assets</b>             |                              |                 |
| Reserved for special purposes | \$ 38,950                    | -               |

See notes to financial statements.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2011

|                              | Private<br>Purpose<br>Trusts |
|------------------------------|------------------------------|
|                              | <u>                    </u>  |
| Additions:                   |                              |
| Local sources:               |                              |
| Contributions                | \$ -                         |
| Interest on investments      | <u>1,715</u>                 |
| Total additions              | <u>1,715</u>                 |
| Deductions:                  |                              |
| Instruction:                 |                              |
| Other                        | <u>900</u>                   |
| Total deductions             | <u>900</u>                   |
| Change in net assets         | 815                          |
| Net assets beginning of year | <u>38,135</u>                |
| Net assets end of year       | <u><u>\$ 38,950</u></u>      |

See notes to financial statements.

# HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to include all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund, Physical Plant and Equipment Levy is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Statewide Sales, Services and Use Tax is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.



Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 2,000      |
| Buildings                         | 10,000        |
| Improvements other than buildings | 10,000        |
| Intangible assets                 | 100,000       |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | 1,000         |
| Other furniture and equipment     | 1,000         |

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Estimated<br/>Useful Lives<br/>(In Years)</u> |
|-----------------------------------|--|
| Buildings                         | 50 years   |
| Improvements other than buildings | 20-50 years                                      |
| Intangible assets                 | 5-10 years                                       |
| Furniture and equipment           | 5-15 years                                       |

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions. The District did not exceed its General Fund unspent authorized budget.

#### **(2) Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

|  | Balance<br>Beginning<br>of Year | Increases | Decreases | Balance<br>End of<br>Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| <b>Governmental activities:</b>                              |                                 |           |           |                           |
| Capital assets not being depreciated:                        |                                 |           |           |                           |
| Land   | \$ 202,500                      | -         | -         | 202,500                   |
| Construction in progress                                     | -                               | 1,571,389 | -         | 1,571,389                 |
| Land   | 202,500                         | 1,571,389 | -         | 1,773,889                 |
| Capital assets being depreciated:                            |                                 |           |           |                           |
| Buildings  | 13,741,388                      | -         | -         | 13,741,388                |
| Furniture and Equipment                                      | 1,348,045                       | 20,925    | 114,996   | 1,253,974                 |
| Total capital assets being depreciated                       | 15,089,433                      | 20,925    | 114,996   | 14,995,362                |
| Less accumulated depreciation for:                           |                                 |           |           |                           |
| Buildings  | 2,603,846                       | 270,478   | -         | 2,874,324                 |
| Furniture and Equipment                                      | 887,633                         | 123,012   | 89,168    | 921,477                   |
| Total accumulated depreciation                               | 3,491,479                       | 393,490   | 89,168    | 3,795,801                 |
| Total capital assets being depreciated, net                  | 11,597,954                      | (372,565) | 25,828    | 11,199,561                |
| Governmental activities, capital assets, net                 | \$ 11,800,454                   | 1,198,824 | 25,828    | 12,973,450                |
| <b>Business type activities:</b>                             |                                 |           |           |                           |
| Furniture and equipment                                      | \$ 160,390                      | 44,413    | -         | 204,803                   |
| Less accumulated depreciation                                | 51,569                          | 4,838     | -         | 56,407                    |
| Business type activities capital assets, net                 | \$ 108,821                      | 39,575    | -         | 148,396                   |
| Depreciation expense was charged to the following functions: |                                 |           |           |                           |
| Governmental activities:                                     |                                 |           |           |                           |
| Support services:  |                                 |           |           |                           |
| Unallocated  |                                 |           |           | \$ 393,490                |
| Business Type activities:                                    |                                 |           |           |                           |
| Food service operations                                      |                                 |           |           | \$ 4,838                  |

### (4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

|                          | Balance<br>Beginning<br>Year | Additions | Reductions | Balance<br>End of<br>Year | Due<br>Within<br>One Year |
|--------------------------|------------------------------|-----------|------------|---------------------------|---------------------------|
| Net OPEB Liability       | \$ 61,000                    | 63,745    | -          | 1,247,450                 | -                         |
| General Obligation Bond  | 6,520,000                    | 4,905,000 | 350,000    | 6,170,000                 | 365,000                   |
| Revenue Bonds            | 1,110,000                    | 158,000   | 220,000    | 5,795,000                 | 325,000                   |
| Early Retirement Payable | 415,554                      | 5,126,745 | 64,221     | 509,333                   | 94,221                    |
| Total                    | \$8,106,554                  | 5,126,745 | 634,221    | 12,599,078                | 784,221                   |

## General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of May 1, 2005 |                    |                  |                  |
|----------------------------|---------------------------|--------------------|------------------|------------------|
|                            | Rates                     | Interest           | Principal        | Total            |
| 2012                       | 3.625%                    | \$ 252,739         | 365,000          | 617,739          |
| 2013                       | 3.750                     | 239,508            | 380,000          | 619,508          |
| 2014                       | 4.000                     | 225,257            | 400,000          | 625,257          |
| 2015                       | 4.000                     | 209,258            | 415,000          | 624,258          |
| 2016                       | 4.000                     | 192,657            | 430,000          | 622,657          |
| 2017-2021                  | 4.000-4.200               | 689,178            | 2,445,000        | 3,134,178        |
| 2022-2024                  | 4.300-4.450               | 155,232            | 1,735,000        | 1,890,232        |
| Total                      |                           | <u>\$1,963,829</u> | <u>6,170,000</u> | <u>8,133,829</u> |

## Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond Issue of July 1, 2004 |                  |               | Bond Issue of June 1, 2011 |                    |                  | Grand<br>Total   |
|----------------------------|----------------------------|------------------|---------------|----------------------------|--------------------|------------------|------------------|
|                            | Interest<br>Rate           | Principal        | Interest      | Interest<br>Rate           | Principal          | Interest         |                  |
| 2012                       | 3.50%                      | \$225,000        | 29,342        | 2.00%                      | \$ 100,000         | 160,707          | 515,049          |
| 2013                       | 3.70                       | 235,000          | 21,058        | 2.00                       | 180,000            | 146,345          | 582,403          |
| 2014                       | 3.80                       | 245,000          | 12,055        | 2.00                       | 285,000            | 142,745          | 684,800          |
| 2015                       | 4.00                       | 185,000          | 3,700         | 2.10                       | 490,000            | 137,045          | 815,745          |
| 2016                       | -                          | -                | -             | 2.50                       | 500,000            | 126,755          | 626,755          |
| 2017-2021                  | -                          | -                | -             | 2.90-3.70                  | 2,740,000          | 406,500          | 3,146,500        |
| 2022                       | -                          | -                | -             | 3.85                       | 610,000            | 23,485           | 633,485          |
| Total                      |                            | <u>\$890,000</u> | <u>66,155</u> |                            | <u>\$4,905,000</u> | <u>1,143,582</u> | <u>7,004,737</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$2,050,000 of bonds issued in May, 2004 and \$4,905,000 of bonds issued in June, 2011. The 2004 bonds were issued for the purpose of financing a portion of the costs of a Middle School. The 2011 bonds were issued for the installation of a geothermal heating and cooling system at the high school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$7,004,737. For the current year, \$220,000 of principal and \$36,910 of the interest was paid on the bonds and total statewide sales, services and use tax revenues were \$656,000.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$205,000 of the proceeds from the issuance of the 2004 revenue bonds and \$490,500 from the 2011 bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance in those accounts at June 30, 2011 was \$695,500.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.

- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$520,270, \$461,512, and \$418,140 respectively, equal to the required contributions for each year.

**(6) Risk Management**

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently only self-funding \$1,500 of each employee's deductible. The District previously self-insured its health care plan with coverage only for excess losses. All claims from that plan have been paid. The Self-Insurance Fund is funded by the General Fund to the extent of its possible liability. Any funds remaining are deemed to be liabilities to cover any claims the District may receive after the end of the fiscal year.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$533,139 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Early Retirement Payable**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on length of service to the District. Early retirement benefits paid during the year ended June 30, 2011, totaled \$64,221. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

**(9) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

| <u>Series</u> | <u>Warrant Date</u> | <u>Final Warrant Maturity</u> | <u>Balance Beginning of Year</u> | <u>Advances Received</u> | <u>Advances Repaid</u> | <u>Balance End of Year</u> |
|---------------|---------------------|-------------------------------|----------------------------------|--------------------------|------------------------|----------------------------|
| 2010-11A      | 6/30/10             | 6/23/11                       | \$ -                             | -                        | -                      | -                          |
| 2010-11B      | 1/26/11             | 1/25/12                       | -                                | -                        | -                      | -                          |
| Total         |                     |                               | \$ -                             | -                        | -                      | -                          |

During the year ended June 30, 2011, the District paid \$10,030 of interest on the ISCAP warrants.

**(10) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2011 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>    |
|--------------------|----------------------|------------------|
| Debt Service       | Capital Projects     | <u>\$259,285</u> |

**(11) Commitments**

In fiscal year 2010, the District entered into a five year lease for the use of the auditorium and gym at the former middle school property. The lease price was \$10,000 in FY2010 and will increase 3½% annually for the next four years. The District also has 3 - five year options to renew the lease at their discretion. These also have 3½% annual increases included.

The District is currently installing a geothermal heating and cooling system to the high school building. As of June 30, 2011 the following commitments had been made.

|                                |             |
|--------------------------------|-------------|
| Total bids awarded             | \$3,728,055 |
| Total project completed        | 1,571,389   |
| Total amounts retained         | 78,569      |
| Total amounts paid to date     | 555,027     |
| Total amount currently payable | 937,792     |
| Balance to complete            | 2,156,666   |

(12) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 175 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |           |
|--|-----------|
| Annual required contribution               | \$145,000 |
| Interest on net OPEB obligation            | 2,745     |
| Adjustment to annual required contribution | -         |
| Annual OPEB cost                           | 147,745   |
| Contributions made                         | (84,000)  |
| Increase in net OPEB obligation            | 63,745    |
| Net OPEB obligation beginning of year      | 61,000    |
| Net OPEB obligation end of year            | \$124,745 |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The year ended June 30, 2011, the District contributed approximately \$84,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

| Year Ended    | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2010 | \$145,000        | 57.9%                                      | \$ 61,000           |
| June 30, 2011 | \$147,745        | 56.9%                                      | \$124,745           |

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$1.422 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.422 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,524,000 and the ratio of the UAAL to covered payroll was 18.9%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$1,204 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### (13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

|   | Capital Projects,<br>Physical Plant<br>and Equipment<br>Levy | Special Revenue,<br>Physical Plant<br>and Equipment<br>Levy |
|---|--|---|
| Balances June 30, 2010, as previously reported                                    | \$ -   | 8,425   |
| Change in fund type classification per implementation<br>of GASB Statement No. 54 | <u>8,425</u>   | <u>(8,425)</u>  |
| Balances July 1, 2010, as restated  | <u>\$8,425</u>   | <u>-</u>  |



## **Required Supplementary Information**

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

|  | Governmental<br>Fund<br>Actual | Proprietary<br>Fund<br>Actual | Total<br>Actual   | Budgeted Amounts  |                   | Final to<br>Actual<br>Variance |
|--|--------------------------------|-------------------------------|-------------------|-------------------|-------------------|--------------------------------|
|  |                                |                               |                   | Original          | Final             |                                |
| <b>Revenues</b>  |                                |                               |                   |                   |                   |                                |
| Local sources  | \$ 6,486,723                   | 280,851                       | 6,767,574         | 6,831,195         | 6,831,195         | (63,621)                       |
| State sources  | 6,936,132                      | 5,922                         | 6,942,054         | 7,552,735         | 7,552,735         | (610,681)                      |
| Federal sources  | 793,066                        | 404,424                       | 1,197,490         | 878,000           | 878,000           | 319,490                        |
| Total revenues   | <u>14,215,921</u>              | <u>691,197</u>                | <u>14,907,118</u> | <u>15,261,930</u> | <u>15,261,930</u> | <u>(354,812)</u>               |
| <b>Expenditures/expenses</b>   |                                |                               |                   |                   |                   |                                |
| Instruction  | 8,556,421                      | -                             | 8,556,421         | 8,330,000         | 8,330,000         | (226,421)                      |
| Support services   | 3,569,183                      | -                             | 3,569,183         | 3,646,000         | 3,646,000         | 76,817                         |
| Non-instructional programs   | -                              | 634,968                       | 634,968           | 695,000           | 695,000           | 60,032                         |
| Other expenditures   | <u>4,221,355</u>               | <u>-</u>                      | <u>4,221,355</u>  | <u>1,986,428</u>  | <u>1,986,428</u>  | <u>(2,234,927)</u>             |
| Total expenditures/expenses  | <u>16,346,959</u>              | <u>634,968</u>                | <u>16,981,927</u> | <u>14,657,428</u> | <u>14,657,428</u> | <u>(2,324,499)</u>             |
| Excess of revenues over expenditures/expenses  | (2,131,038)                    | 56,229                        | (2,074,809)       | 604,502           | 604,502           | (2,679,311)                    |
| Other financing sources (uses)   | <u>4,905,000</u>               | <u>-</u>                      | <u>4,905,000</u>  | <u>-</u>          | <u>-</u>          | <u>4,905,000</u>               |
| Excess of revenues and other financing sources over expenditures/expenses and other financing uses | 2,773,962                      | 56,229                        | 2,830,191         | 604,502           | 604,502           | 2,225,689                      |
| Balance beginning of year  | <u>2,368,498</u>               | <u>267,065</u>                | <u>2,635,563</u>  | <u>2,763,567</u>  | <u>2,763,567</u>  | <u>(128,004)</u>               |
| Balance end of year  | <u>\$ 5,142,460</u>            | <u>323,294</u>                | <u>5,465,754</u>  | <u>3,368,069</u>  | <u>3,368,069</u>  | <u>2,097,685</u>               |

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures exceeded the amounts budgeted in the instruction and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010                      | Jul 1, 2009                    | \$0                                    | \$1,422   | \$1,422                            | 0.0%                     | \$7,054                   | 20.2%   |
| 2011                      | Jul 1, 2009                    | \$0                                    | \$1,422   | \$1,422                            | 0.0%                     | \$7,524                   | 18.9%   |

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## **Other Supplementary Information**

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| Account                      | Balance<br>Beginning<br>of Year | Revenues | Expenditures | Balance<br>End of<br>Year |
|------------------------------|---------------------------------|----------|--------------|---------------------------|
| IT Adventures Club           | \$ 437                          | -        | -            | 437                       |
| Girls' Book Club             | 957                             | -        | 307          | 650                       |
| Character Counts             | 389                             | 475      | 515          | 349                       |
| Key Club                     | 156                             | 563      | 719          | -                         |
| Cheerleading                 | -                               | 11,399   | 11,399       | -                         |
| DECA                         | 54                              | 3,890    | 2,751        | 1,193                     |
| Drama                        | -                               | 921      | 800          | 121                       |
| FBL                          | 241                             | 779      | 721          | 299                       |
| FCA                          | 21                              | -        | -            | 21                        |
| FCCLA                        | 1,997                           | -        | 880          | 1,117                     |
| FFA                          | 1,543                           | 24,300   | 25,843       | -                         |
| Future Teachers              | 1,754                           | -        | 1,030        | 724                       |
| International Club           | 135                             | 397      | 224          | 308                       |
| Mock Trial                   | 698                             | 975      | 1,673        | -                         |
| SADD                         | 378                             | 280      | 158          | 500                       |
| Student Council              | 983                             | 1,917    | 2,242        | 658                       |
| Drill Team                   | -                               | 1,895    | 1,895        | -                         |
| Dramatics - Plays & Musicals | 1,498                           | 3,775    | 5,273        | -                         |
| Music - Instrumental         | -                               | 8,832    | 8,832        | -                         |
| Music - Vocal                | -                               | 5,450    | 5,450        | -                         |
| MS Instrumental Music        | -                               | 1,323    | 1,323        | -                         |
| Speech                       | 376                             | -        | 191          | 185                       |
| Publications                 | -                               | 11,954   | 11,954       | -                         |
| MS Yearbook                  | -                               | 2,539    | 2,039        | 500                       |
| Special Instrumental Fund    | -                               | 1,842    | 1,842        | -                         |
| Special Vocal Fund           | -                               | -        | -            | -                         |
| Success Center               | -                               | 954      | -            | 954                       |
| Vocal NY Trip                | 409                             | -        | 409          | -                         |
| Freshman Class               | -                               | 3,850    | 3,850        | -                         |
| Senior Class                 | 3,491                           | 1,665    | 3,055        | 2,101                     |
| Junior Class                 | 3,739                           | 1,929    | 2,311        | 3,357                     |
| Sophomore Class              | 3,357                           | -        | 114          | 3,243                     |
| Soccer                       | 2,980                           | (2,594)  | 386          | -                         |
| Cross Country                | -                               | 982      | 942          | 40                        |
| Swimming                     | -                               | 500      | 500          | -                         |
| Basketball - Boys            | 2,484                           | 8,585    | 11,069       | -                         |
| Football                     | 5,954                           | 15,154   | 17,108       | 4,000                     |
| Baseball                     | -                               | 9,050    | 9,050        | -                         |

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

| Account                    | Balance<br>Beginning<br>of Year | Revenues       | Expenditures   | Balance<br>End of<br>Year |
|----------------------------|---------------------------------|----------------|----------------|---------------------------|
| Track - Boys               | 206                             | 2,242          | 2,448          | -                         |
| MS Boys Track              | -                               | 12             | 12             | -                         |
| Golf - Boys                | -                               | 1,470          | 1,470          | -                         |
| Wrestling                  | -                               | 4,893          | 4,863          | 30                        |
| Basketball - Girls         | 2,525                           | 12,098         | 14,332         | 291                       |
| Volleyball                 | -                               | 7,461          | 7,461          | -                         |
| Girls Soccer               | -                               | 2,085          | 1,553          | 532                       |
| Softball                   | -                               | 6,673          | 6,673          | -                         |
| Track - Girls              | 576                             | 2,206          | 2,701          | 81                        |
| MS Girls Track             | -                               | 80             | 12             | 68                        |
| Golf - Girls               | -                               | 418            | 418            | -                         |
| Activity Tickets           | -                               | 22,519         | 36,666         | (14,147)                  |
| Middle School Activities   | 1,851                           | 1,760          | 2,592          | 1,019                     |
|                            | 39,189                          | 187,498        | 218,056        | 8,631                     |
| Less interaccount transfer |                                 | (1,598)        | (1,598)        |                           |
|                            | <u>39,189</u>                   | <u>185,900</u> | <u>216,458</u> | <u>8,631</u>              |

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2011

|  | Maribel<br>Kratovich<br>Memorial | Liebendorfer<br>Scholarship | Saylor<br>Memorial<br>Business | Students<br>in Need | Special<br>Education<br>Needs | Total         |
|--|----------------------------------|-----------------------------|--------------------------------|---------------------|-------------------------------|---------------|
| Revenues:  |                                  |                             |                                |                     |                               |               |
| Local sources:   |                                  |                             |                                |                     |                               |               |
| Contributions  | \$ -                             | -                           | -                              | -                   | -                             | -             |
| Interest on investments                                      | 236                              | 149                         | 551                            | -                   | 779                           | 1,715         |
|  | <u>236</u>                       | <u>149</u>                  | <u>551</u>                     | <u>-</u>            | <u>779</u>                    | <u>1,715</u>  |
| Expenditures:  |                                  |                             |                                |                     |                               |               |
| Instruction:   |                                  |                             |                                |                     |                               |               |
| Regular instruction:   |                                  |                             |                                |                     |                               |               |
| Other  | 300                              | 100                         | 500                            | -                   | -                             | 900           |
|  | <u>300</u>                       | <u>100</u>                  | <u>500</u>                     | <u>-</u>            | <u>-</u>                      | <u>900</u>    |
| Excess (deficiency) of revenues over<br>(under) expenditures | (64)                             | 49                          | 51                             | -                   | 779                           | 815           |
| Balance beginning of year                                    | 8,972                            | 10,023                      | 12,054                         | 1,681               | 5,405                         | 38,135        |
| Balance end of year  | <u>\$ 8,908</u>                  | <u>10,072</u>               | <u>12,105</u>                  | <u>1,681</u>        | <u>6,184</u>                  | <u>38,950</u> |

See accompanying independent auditor's report.



## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Eight Years

|                                    | Modified Accrual Basis |                   |                   |                   |                   |                   |                   |                   |
|------------------------------------|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2011                   | 2010              | 2009              | 2008              | 2007              | 2006              | 2005              | 2004              |
| <b>Revenues:</b>                   |                        |                   |                   |                   |                   |                   |                   |                   |
| Local sources:                     |                        |                   |                   |                   |                   |                   |                   |                   |
| Local tax                          | \$ 5,624,015           | 5,653,892         | 5,951,406         | 5,558,155         | 5,212,791         | 4,891,927         | 4,132,199         | 3,547,166         |
| Tuition                            | 325,786                | 352,775           | 343,608           | 310,974           | 247,231           | 280,604           | 249,601           | 289,616           |
| Other                              | 536,922                | 649,846           | 684,545           | 890,486           | 779,212           | 494,212           | 1,023,487         | 406,629           |
| State sources                      | 6,936,132              | 5,548,193         | 6,466,110         | 6,049,643         | 5,892,259         | 5,450,579         | 5,190,228         | 4,933,980         |
| Federal sources                    | 793,066                | 1,121,623         | 416,487           | 365,253           | 309,272           | 539,351           | 281,425           | 1,058,244         |
| Total                              | <u>\$14,215,921</u>    | <u>13,326,329</u> | <u>13,862,156</u> | <u>13,174,511</u> | <u>12,440,765</u> | <u>11,656,673</u> | <u>10,876,940</u> | <u>10,235,635</u> |
| <b>Expenditures:</b>               |                        |                   |                   |                   |                   |                   |                   |                   |
| Instruction                        | \$ 8,556,421           | 8,200,129         | 7,742,453         | 7,582,925         | 7,065,695         | 6,997,408         | 5,911,398         | 6,114,276         |
| Support services:                  |                        |                   |                   |                   |                   |                   |                   |                   |
| Student                            | 343,821                | 276,310           | 275,627           | 318,331           | 435,746           | 276,580           | 231,504           | 247,540           |
| Instructional staff                | 794,057                | 600,898           | 334,231           | 588,486           | 574,654           | 554,673           | 537,013           | 424,745           |
| Administration                     | 1,004,631              | 1,055,358         | 937,527           | 895,293           | 992,143           | 840,642           | 696,654           | 666,446           |
| Operation and maintenance of plant | 862,776                | 889,838           | 899,872           | 976,448           | 996,419           | 908,120           | 818,084           | 798,856           |
| Transportation                     | 563,898                | 472,776           | 503,631           | 472,626           | 469,573           | 472,622           | 425,901           | 374,308           |
| Other expenditures:                |                        |                   |                   |                   |                   |                   |                   |                   |
| Facilities acquisition             | 2,813,483              | 328,844           | 676,698           | 1,137,056         | 2,794,866         | 5,774,418         | 1,840,267         | 2,174,885         |
| Debt service:                      |                        |                   |                   |                   |                   |                   |                   |                   |
| Principal                          | 570,000                | 545,000           | 530,000           | 510,000           | 620,891           | 420,876           | 120,819           | 115,765           |
| Interest and service charge        | 304,733                | 327,596           | 338,365           | 351,320           | 374,007           | 488,742           | 60,321            | 23,272            |
| AEA flowthrough                    | 533,139                | 506,620           | 444,565           | 415,018           | 397,607           | 366,219           | 350,987           | 355,601           |
| Total                              | <u>\$16,346,959</u>    | <u>13,203,369</u> | <u>12,682,969</u> | <u>13,247,503</u> | <u>14,721,601</u> | <u>17,100,300</u> | <u>10,992,948</u> | <u>11,295,694</u> |

See accompanying independent auditor's report.

## HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

| <u>Grantor/Program</u>  | <u>CFDA<br/>Number</u> | <u>Grant<br/>Number</u> | <u>Expenditures</u> |
|---|------------------------|-------------------------|---------------------|
| Indirect:   |                        |                         |                     |
| U.S. Department of Agriculture:   |                        |                         |                     |
| Iowa Department of Education:   |                        |                         |                     |
| School Nutrition Cluster Programs:  |                        |                         |                     |
| School Breakfast Program  | 10.553                 | FY11                    | \$ 66,723           |
| Summer Food Service Program for Children  | 10.559                 | FY11                    | 18,415              |
| National School Lunch Program (non-cash)  | 10.550                 | FY11                    | 49,687              |
| National School Lunch Program   | 10.555                 | FY11                    | 269,600             |
|   |                        |                         | <u>404,425</u>      |
| U.S. Department of Education:   |                        |                         |                     |
| Iowa Department of Education:   |                        |                         |                     |
| Title I Grants to Local Educational Agencies  | 84.010                 | FY11                    | 286,707             |
| ARRA - Title I Grants to Local Educational Agencies,<br>Recovery Act                    | 84.389                 | FY11                    | <u>103,236</u>      |
|   |                        |                         | 389,943             |
| ARRA - State Fiscal Stabilization Fund (SFSF) -<br>Education State Grants, Recovery Act | 84.394                 | FY11                    | 71,171              |
| ARRA - State Fiscal Stabilization Fund (SFSF) -<br>Government Services, Recovery Act    | 84.397                 | FY11                    | 59,644              |
| Improving Teacher Quality State Grants  | 84.367                 | FY11                    | 49,381              |
| Grants for Assessments and Related Activities   | 84.369                 | FY11                    | 7,690               |
| Area Education Agency 267:  |                        |                         |                     |
| ARRA - Special Education Grants to States, Recovery Act                                 | 84.391                 | FY11                    | 88,896              |
| Special Education - Grants to States  | 84.027                 | FY11                    | <u>66,197</u>       |
| Total   |                        |                         | <u>\$ 1,137,347</u> |

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants

- Iowa Society of Certified Public Accountants

## Services:

- Individual, Partnership and Corporate Tax Preparation

- Year Round Tax Planning

- Payroll & Sales Tax Preparation

- I.R.S. Representation

- Monthly/Quarterly Write-Up

- Data Processing Services

- Payroll Preparation

- Financial Statement Preparation

- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience

- Evenings & Saturdays Available by Appointment

- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Hampton-Dumont Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

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## Compliance and Other Matters

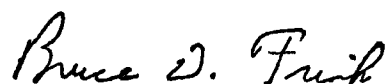
As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Hampton-Dumont Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 13, 2012

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Hampton-Dumont Community School District:

#### Compliance

We have audited the compliance of Hampton-Dumont Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Hampton-Dumont Community School District's major federal programs for the year ended June 30, 2011. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion, Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

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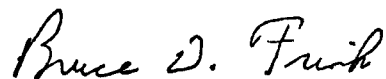
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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Hampton-Dumont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 13, 2012

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - Title I Clustered Programs:
    - CFDA Number 84.010 - Title I Grants to Local Education Agencies
    - CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act
  - School Nutrition Clustered Programs:
    - CFDA Number 10.555 - National School Lunch Program (including commodities)
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.559 - Summer Food Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

II-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures -As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.



HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

CFDA Number 84.010 - Title I Grants to Local Education Agencies  
CFDA Number 84.389 - ARRA - Title I Grants to Local Education Agencies, Recovery Act  
Federal Award Year: 2011  
US Department of Education  
Passed through Iowa Department of Education .

CFDA Number 10.555 - National School Lunch Program (including commodities)  
CFDA Number 10.553 - School Breakfast Program  
CFDA Number 10.559 - Summer Food Program for Children  
Federal Award Year: 2011  
US Department of Agriculture  
Passed through Iowa Department of Education

III-A-11 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the amounts budgeted in the instruction and other expenditures functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2011.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Supplementary Weighting - The number of basic resident students reported to the Iowa Department of Education on row 13 of the Certified Enrollment Certification Form of October 2010 was overstated. The District's certified enrollment count included 1 student on Row 13 who exceeded the years allowed for ELL. This resulted in overstating the total actual enrollment at row 13 by .22 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IV-H-11 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-I-11 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

|                                    |                  |                    |
|------------------------------------|------------------|--------------------|
| Beginning balance                  |                  | \$ 947,638         |
| Revenues/transfers in:             |                  |                    |
| Sales tax revenues                 | \$ 656,000       |                    |
| Other local revenues               | 3,425            |                    |
| Sale of long-term debt             | <u>4,905,000</u> | <u>5,564,425</u>   |
|                                    |                  | 6,512,063          |
| Expenditures/transfers out:        |                  |                    |
| School infrastructure construction | 2,863,142        |                    |
| Equipment                          | 7,000            |                    |
| Other                              | 641              |                    |
| Transfers to other funds:          |                  |                    |
| Debt service fund                  | <u>259,295</u>   | <u>3,130,078</u>   |
| Ending balance                     |                  | <u>\$3,381,985</u> |

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

|                   | Rate of Levy<br>Reduction<br>Per \$1,000<br>Of Taxable<br>Valuation | Property<br>Tax<br>Dollars<br>Reduced |
|-------------------|---|---------------------------------------|
| Debt Service Levy | \$ <u>.86</u>   | <u>\$259,295</u>                      |